

**SERVE NOTE**

VOLUME XV — NO. 4

OCT — DEC 1980

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# The Rag Picker



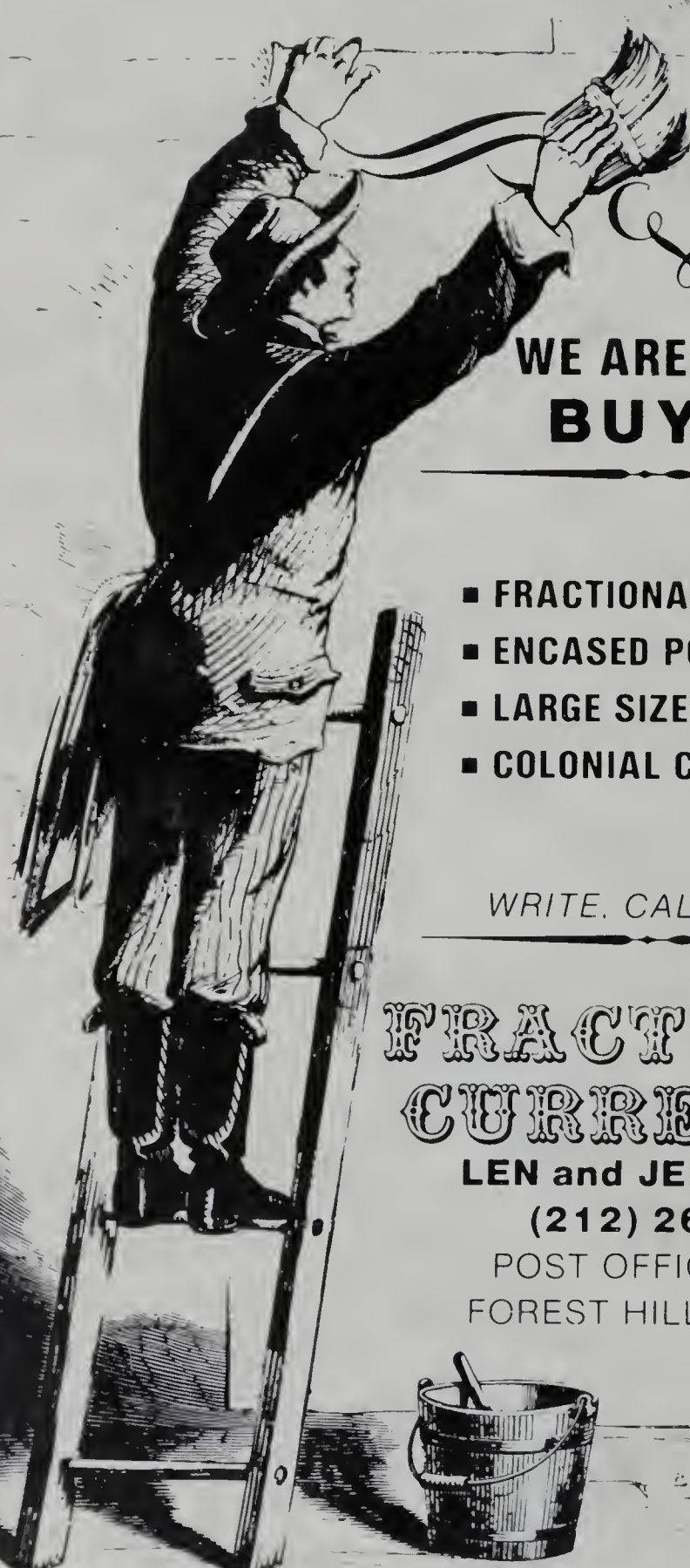
OFFICIAL PUBLICATION OF THE  
PAPER MONEY COLLECTORS OF MICHIGAN

SERIES 1980

*Secretary of the Treasury*







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# THE RAG PICKER

Official Publication of the Paper Money Collectors of Michigan  
VOLUME XV — NO. 4                      OCTOBER — DECEMBER 1980

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\$

## ABOUT THE COVER

### REPLACEMENT COVER — By An Anonymous Collector

The collecting of REPLACEMENTS is becoming one of the SPECIALITY fields in paper money. The U.S. Government has been using the STAR symbol to indicate replacement since 1910 for both large and small currency. Replacements usually represent less than 5% of the regular issue and often account for only 1% or less. Because of this small initial issue, replacements are often very difficult to find, and then often quite expensive.

Just look at the scarcity and value of choice large sized star notes, choice small sized stars, most MPC replacements, WWII Allied Military currency replacements, and even Philippine victory note stars. Why not collect STAR food coupon book covers??? They certainly are scarce, as the cover shown here represents only the SECOND reported STAR food coupon cover and the FIRST reported star cover for the American Bank Note Company (ABN) of New York. The other star book cover was printed by the United States Bank Note Corp., of Philadelphia.

The STAR of the serial number ★00038700A shown here means this cover was serial numbered specially to be used to replace a defective, regular issue \$65 book cover. This \$65 book of food coupons was printed by the ABN. Although the cover serial number has a star in it, all coupons inside the book were regular issue (non-star) coupons. The coupons were all Series 1979-A, block E....A, with the serial number in the 2 million range. All coupons were from plate position A-10.

Presently, the ABN is printing food coupons in a 50 subject sheet. It is believed the replacement (star) coupons are inserted on a sheet-for-sheet basis, rather than a coupon-for-coupon replacement basis. Unfortunately, no such assumption can be made for covers, as this is the first ABN star cover reported.

Because covers presently are the same from series year to series year, it is possible that this cover could have been printed for any series year since 1977, and not used until 1979. If used on a single, cover-for-cover replacement basis, a sheet of 50 covers could last 50 times longer than if used on a sheet-for-sheet replacement basis.

If replaced on a sheet-for-sheet basis, star covers with serial numbers ★0036001A to ★0040000A would be in the A-10 position with a serial numbering run of just 4000 sheets of covers. Cover serial number ★00038700A would be on the 2700th sheet of covers printed in the 4000 sheet run. Unfortunately it is not even known if the ABN starts with the low serial numbers or the high serial numbers when using star food coupon covers.

As previously said, it is not even known whether this star cover was used on a cover-for-cover replacement basis, or a sheet-for-sheet basis. If used on a cover-for-cover basis, then the above assumption about a 4000 sheet press run would not be valid. Hopefully, time will tell us much more.

Although it is not technically legal for most people to own food coupons themselves, the collecting of the COVERS presents no such problem. Anyone who desires can collect covers, as they have no "value" themselves. Of course, STAR covers will carry a collector value premium, so they are the best covers that can be collected. Because so few star covers are presently reported, it is unknown if half-size STAR covers are printed.

Covers can be collected by anyone who can find them laying around by the cash register in food stores. Of course it is hard to establish the yearly series of coupons that were inside from an empty cover, but the grocer could always be asked what coupons from that denomination book were presently being spent.

Considering the high cost of collecting most forms of REPLACEMENTS in the field of currency, food coupon book covers, especially STAR covers, represent a collecting field that COSTS NOTHING. IMAGINE THAT—NO COST.

Food coupon book covers are unique in the annals of American currency. Although the covers have no intrinsic monetary VALUE themselves, they do contain the same serial number as found on all coupons inside the book. Where else can you get serial numbered collectables at NO COST?

JUST THINK—you can NEVER lose any money when your initial cost is nothing, and any gain is ALL PROFIT. Besides, STAR food coupon covers will certainly be more valuable in the future.

\$

**WANTED:** MILITARY PAYMENT CERTIFICATES (MPC's) OF THE FOLLOWING SERIES FOR THE COMPLETION OF MY STRICTLY CRISP UNCIRCULATED (CU) COLLECTION. Series #521—\$5 (CU), \$10 (CU); Series #541—\$5 (CU), \$10 (CU); Series #591—\$5 (CU), \$10 (CU). Please indicate firm price expected when writing. Nick L. Imbriglio, P.O. Box 399, Oakhurst, NJ 07755

\$

**BUYING—SELLING U.S. CURRENCY.** Top prices for your notes. Send your list and prices—large, small, fractional, obsolete, confederate. Send 28 stamps for my price list. Dick Mark, P.M.C.M. #1144, Box 314R, Oak Ridge, TN 37830



**A VISIT TO THE B.E.P.**  
By Willis E. Karner, Jr., P.M.C.M. #1452

On August 4, 1980, I made my way to the B.E.P., to join the tour and see the new Visitor Center. (Tour hours are 8 A.M. to 2 P.M. weekdays only.) In a group of 35, we were taken through the enclosed catwalks by an informative guide. Along the walls were many displays of the bureau's engravings, technical designs, and printings. First to be seen were the Giori high-speed sheet-fed rotary presses. Being printed were green ink note backs, 32 per sheet, 9000 sheets per hour. Then we saw the face printing of the sheets. In a large security room next to the presses, the uncut sheets were stored on skids. They were marked in two groups, one of backs (left to dry, and still needing face printing), and the other marked face, which had both face and back printing completed.

Moving on we came to the examiner's room. Here half sheets of 16 notes were being manually inspected, front and back. What caught my eye were the clear plastic trash bags filled with errors of the first two printing operations.

The 32 note sheets had been cut in half, 100 sheets per cutting. The Bookbinder who runs the guillotine cutting machine, then trimmed the sheets to uniform size. Our guide stated that all the trimmings were recycled. The halved sheets of 16, after inspection, were then ready for the third printing process with COPE, currency overprinting and processing equipment. The \$1 notes we saw receiving their seals and serial numbers were being printed for the F.R.B. of San Francisco, California.

After the overprinting, the half sheets were conveyed along to the cutting knives, where they were cut into pairs and then into single notes. A rotating carousel accepted banded packs of 100 notes each, 40 packs of notes per compartment, 32 vertical compartments per carousel. It took 40 minutes for the carousel to make one complete rotation. There were 2 of these carousels, the first being automatically filled, and the other being manually unloaded.

Then we were off to the Visitor Center, a large display room, to end our tour. (If you don't want to wait in the long line to see the tour, you can go directly to the Visitor Center.) I was a little disappointed, though, with the small number of exhibits. On sale were large and small presidential portraits, government seals, reproductions of miscellaneous documents, and vignettes of various buildings. I purchased a souvenir sheet from the International Paper Money Show, Memphis (June 6 — 8, 1980) and a small package of shredded money. This is still a "must see" tour for the paper money collector, even if they don't give free samples.

\$

**WWII MILITARY CURRENCY.** 1980 price list of WWII Military Currency now available for mailing. 14 pages crammed full of U.S. Military Payment Certificates, Allied and Axis Notes, Japanese Invasion Money, and a few interesting WWII and Vietman era items. Send \$1 for list which is refundable on first order to: Edward B. Hoffman, Box 10791, Reno, NV 89510

## THE WILD-CAT BANKS

Continued from last issue.

Bank Commissioners were required to visit the banking house of the association as often as once in 3 months, and at all other times, when requested by the Governor, or by any banking association in the State created by the provisions of the Act or subject to the Act to create a fund for the benefit of the creditors of certain money corporations, and to institute such examination into the affairs of the institution, as was required by law. It was made the duty of the Commissioners to require the association to renew or change the securities given, whenever the safety of the public might require. The books, papers, and vaults of the association were to be always open to the inspection of the Bank Commissioners or committees appointed by the Legislature.

The rate upon loans and discounts was limited to 7% per annum, in advance, and the denomination of notes and bills not to be under \$1. The total amount of debts the association was allowed to owe, exclusive of property deposited in the bank, was never to exceed 3 times the amount of capital stock actually paid in and possessed. If the association became insolvent, the Directors, in the first place, were to be liable in their individual capacity to the full amount of all the debts the association might owe; and afterward each stockholder was to be liable to the full amount of the debts of the association in like manner, in proportion to his amount of stock; and each stockholder was to be so liable for 1 year after the time he had transferred his stock in the association.

The association was prohibited from holding real estate, except in certain cases specified in the Act; and likewise from trading in goods, wares and merchandise, except in cases specified. Every association was to pay its bills and notes when presented, or on refusing to pay on demand, it was made the duty of the Cashier to record on the back of the same the date of the refusal, and attach his name thereto, in his official capacity, and if the same was not paid on demand within 60 days thereafter, with damages and 10% costs, the association was to be dissolved.

Each stockholder was required to pay in at least 10% in specie on the capital stock, annually, after it went into operation, until the whole stock was paid in, under penalty of forfeiting to the association the amount of stock he already paid in and the shares on which the payments had been made. Assignments of stock were not valid until the stockholder making the same had canceled all his debts and liabilities, of whatever description, to the association. All associations were prohibited from trading in stock of moneyed, or any other corporations, or to increase or reduce their capital stock without the consent of the Legislature. The whole amount of loans and discounts made to Directors or to any individual was not at any time to exceed 1/6th of the amount which it was entitled to issue.

Every association was obliged to pay to the Treasurer of the State of the use of the State, 1/2 of 1% of the amount of capital stock paid in, in semi-annual payments. No money was, however, to be drawn from this fund until the funds and liabilities of the Directors and stockholders had failed and proved insufficient to pay all debts.

Each Director or officer guilty of any negligence and malfeasance



in his office was declared of felony, and subject to imprisonment in the State prison for not less than 2 years. Associations incorporated under this Act were to continue until the 4th of March, 1857.

There are, in these provisions, all the elements, apparently of safe banking, including the payment of capital stock in specie, personal liability of Directors and stockholders, careful examination by Bank Commissioners, and frequent examination and sworn statements by the Directors. In practice, however, every single precautionary and salutary requirement was recklessly disregarded. In the course of a year 49 banks were organized under this Act, with nominal capital of \$4,000,000. This, added to the \$7,000,000 capital already authorized, was vastly more than enough to meet the utmost requirements of any health business in the State. But it was not so much their over capitalization, as their manner of doing business that created the mischief. Some of them were located in cities and villages that never existed, with capital stock that was never paid in, and issued notes to be redeemed in specie that never belonged to the bank.

Among the notes that soon ceased to be current and were never redeemed were those of the Bank of Brest. They were, in fact, fiat notes, issued by a fiat bank, in a fiat town, Brest was located at the mouth of Swan Creek, 7 miles from Monroe. A map of the city, finely lithographed and beautifully colored, represented it with broad avenues, lined with handsome residences and ornamented grounds. The extended river front of the city had continuous lines of docks, above which were capacious warehouses, while the largest steamers were represented as passing the city. Many vessels were lying at the docks, and the streets were crowded with people. A visit to the "city" in the fall of 1838, disclosed a hotel, a store and a bank building, costing \$1,100. The inhabitants were chiefly mosquitoes and frogs. The bank here was organized with a capital of \$100,000. Its capital paid in consisted of a bank specie check for \$1,146, and an individual check for \$2,000. On the 1st of August, 1863, the bank made the following statement: Loans, \$96,537; specie, \$12,000; Eastern exchange and cash items, \$22,627; circulation, \$39,425; deposits, \$20,000; due banks, \$23,834; profit and loss, \$5,009. The next day, when the Commissioners examined the bank, they found that its principal resources actually consisted of loans on bonds, \$16,000; bank stock, \$10,000; specie, \$12,900. It appeared afterwards that \$10,500 of the specie belonged to Lewis Godard, who exploited a number of wild-cat banks. It was deposited in the bank the day before the Commissioners came to make the examination, and was drawn out the day after they went away. The \$16,000 loan was made to the Tow of Brest, to secure the bank which received an assignment of bonds executed by Lewis Godard, for the sum of \$35,400, and also of mortgages of 118 city lots in Brest. On the day after the examination the Directors assigned the bonds and mortgages back to the trustees of Brest, having received nothing for them.

It was quite generally the case that the bank officers knew beforehand when the Commissioners were coming to make an examination, and fixed up their affairs accordingly. This was the case with the officers of the Bank of Brest on the 2nd of August. But 7 days later an unexpected examination caught them with only



\$138.89 in specie on hand, and \$84,241 in circulation outstanding.

A few days after this the Commissioners examined the Bank of Clinton, and found specie on hand to the amount of \$11,029.36. The next day \$10,500 of this was taken to Detroit and turned over to Lewis Godard, being the same specie that had figured in the assets of the Bank of Brest. In the course of the season it probably did service in several other banks, for one of the devious ways of these concerns was to pass specie around from one bank to another, when the officers heard the Commissioners were coming.

Some of the banks could not even show borrowed specie. The Bank of Sandstone at Barry never had any specie, and when it was examined had no assets of any kind, though it owned up to liabilities of \$38,000. The safe of the Exchange Bank of Shiawassee disclosed to the examiners seven cents in specie, and a small amount of paper, while it had an outstanding circulation of \$22,261. The officers of the Jackson County Bank, with a smile that seemed to contain no guile placed before the Commissioners a number of well filled and heavy boxes. They were found to contain a veneer of silver on top, and a filling of glass and nails underneath. Not at all phased at this, they brought a box of real silver from another room, and one of the Directors swore that it belonged to the Bank, but he afterwards brought suit for it against the assignee, claiming it as his individual property. This bank, at the time of examination, had \$5,000 of available assets, and \$70,000 of liabilities.

Some of the banks had neither capital nor specie. The Farmers' Bank of Genesee was organized by the use of stock notes instead of specie, and in making its reports specie certificates to the amount of \$35,5000 were used. The Exchange Bank of Shiawassee used specie certificates to the amount of \$27,000, and the Bank of Lapeer had \$15,000 in the same kind of paper. The latter certificate was given by another bank to an individual interested in getting up the Lapeer Bank, without making any deposit, or having anything to his credit, and was canceled by the check of the pretended depositor, made simultaneously with the certificate. The Bank of Kensington used stock notes and specie certificates. The Wayne County Bank at Plymouth had specie certificates to the amount of \$30,000, but was originally put in operation by check on stockholders, which was never presented, acknowledged or paid. The Jackson County Bank at Jacksonburgh, used a specie certificate of \$10,000, and the Bank of Saline one of \$15,000, which was taken a few days after the bank went into operation.

In all, twenty-four banks were put in operation by the use of borrowed specie certificates, as follows: Banks of Gibraltar, Oakland, Kensington, Brest, Saline, Lenawee, Allegan, St. Joseph, Coldwater, Clinton, Goodrich, Lapeer, Marshall, Detroit City Bank, Farmers' Bank of Oakland, Oakland County Bank, Clinton Canal Bank, Farmer's Bank of Genesee, Exchange Bank of Shiawassee, Wayne county Bank at Plymouth, Saginaw City Bank, Jackson City Bank, Farmers' Bank of Sandstone, and Farmers' and Mechanics' Bank of Pontiac. These specie certificates were issued largely by Detroit individuals and banks. They were loaned for banking purposes, but it is not known that specie was ever paid on any of them.

It took some time after the Act passed to get a good start in the organization of banking associations, and the first one that opened

for business was the Farmers' Bank of Homer on August 19, 1837. But after they once commenced, the work went merrily on. In December, 1837, twelve banks were organized, with capital of \$1,100,000, and in January there were fifteen with capital of \$1,215,000. In the seven months from August 19, 1837, to March 22, 1838, there were thirty-nine associations fully organized, with capital of \$3,065,000. Before the work finally ceased there were forty-nine in actual operation, and twenty-one or more were in the various stages of organization, Of the whole number only one in Detroit, although that city contained one-seventh the population of the State and more than that proportion of the accumulated wealth. But it was Detroit people largely who put up the Bank at Gibraltar and that at Plymouth, both in Wayne County, and they either helped to originate or bought out some of the banks in other Counties.

The following is the muster roll of the wild cats, including only those that actually commenced business:

NAME:	LOCATION:	CAPITAL:
Farmers' Bank of Homer	Homer	\$100,000
Bank of Oakland	Pontiac	50,000
Bank of Utica	Utica	50,000
Bank of Brest	Brest	100,000
Merchants' & Mechanics' Bank	Monroe	150,000
Jackson County Bank	Jackson	100,000
Bank of Marshall	Marshall	100,000
Millers' Bank of Washtenaw	Ann Arbor	50,000
Farmers' & Mechanics' Bank	Pontiac	50,000
Bank of Manchester	Manchester	100,000
Bank of Saline	Saline	100,00
Clinton Canal Bank	Pontiac	100,000
Bank of Coldwater	Coldwater	50,000
Bank of Lapeer	Lapeer	100,000
Grand River Bank	Grand Rapids	50,000
Saginaw City Bank	Saginaw	50,000
Detroit City Bank	Detroit	200,000
St. Joseph County Bank	Centerville	100,000
Farmer's Bank of Sharon	Sharon	50,000
Lenawee County Bank	Palmyra	100,000
Genesee County Bank	Flint	50,000
Gibraltar Bank	Gibraltar	100,000
Farmers' Bank of Oakland	Royal Oak	50,000
Commonwealth Bank	Tecumseh	50,000
Commercial Bank of Michigan	St. Joseph	50,000
Bank of Niles	Niles	100,000
Bank of Singapore	Singapore	50,000
Bank of Allegan	Allegan	100,000
Bank of Auburn	Auburn	50,000
Bank of Plymouth	Plymouth	100,000
Goodrich Bank	Goodrich Mills	150,000
Farmers' Bank of Genesee	Flint	100,000
Huron River Bank	Ypsilanti	100,000
Bank of Shiawassee	Owosso	50,000
Bank of Kensington	Kensington	50,000
Citizens' Bank of Michigan	Ann Arbor	100,000



Bank of Superior	Superior	100,000
Bank of Sandstone	Barry	50,000
Merchants' Bank of Jackson	Brooklyn	65,000
Detroit & St. Joseph R.R. Bank	Jacson	100,000
Exchange Bank	Shiawassee	50,000
Bank of Battle Creek	Battle Creek	100,000
Farmers' & Mechanics' Bank	Centreville	50,000
Bank of Lake St. Clair	Belvidere	50,000
Michigan Centre Bank	Michigan Centre	50,000
Bank of White Pigeon	White Pigeon	50,000
Branch County Bank	Branch	50,000
Bank of Adrian	Adrian	150,000
Chippewa County Bank	Sault Ste. Marie	50,000

It is not to be supposed all this went on without some effort to check the madness. The Commissioners, whose duties were defined by the December amendments to the original Act, started out on their tour of inspection in January, 1838. They were energetic, sagacious and honest. One of them, Alpheus Felch, was a member of the Legislature that passed the Act, and was one of only four members who voted against it. He was, six years later, one of the Supreme Court Justices who declared the Act unconstitutional, and served th State as Governor and United States Senator. He was the original historian of the wild-cat bank period, and his account of that time was, at the second session of the Fifty-second Congress, printed as one of the Executive documents of the United States Senate. The only trouble was that, at first, the association promoters were too fast and too keen for the Commissioners. Over twenty banks had commenced business before the Commissioners commenced their examinations, and on the 17th of that same month, four banks were organized with an aggregate capital of \$400,000. One of them was in a comparatively unknown and inaccessible location. One of them was at Ypsilanti and one at Owosso, villages sixty miles apart with no railroad connections. The Commissioners would have to go a lively gait to keep up with a procession of that kind. They did much, however, toward puncturing the final bubble. They refused certificates to a large number of banks that were organized and ready for business. They discovered and corrected the faulty methods of bookkeeping and making reports in the few banks that were honestly conducted, and in the course of the year 1838, they secured injunctions against twenty-nine fradulent or unsounding institutions. Mr. Felch's associates in this work were K. Pritchette and Digby V. Bell.

Of course there must be an end to this kind of banking and in this case the collapse came quickly. All but four of the free banks failed before the end of 1839. No exact record of their circulation could be obtained, but it is thought that about \$1,000,000 in their worthless notes were outstanding. Many more than that were printed. Some of them were fine specimens of bank note engraving. They were all done in New York or Boston, and when, a year later, Mr. Hatch of the former city, came out here to collect back pay for some of his work, he could get nothing but some of the old bills of his own making. There were only two other uses to which this currency was put. One was to amuse collectors of curios, several of whom gathered and

preserved a large number of specimens of this paper. The second use was found during the Civil War, when Michigan soldiers took many of the bills South and passed them off as good money. This was fully as honest as the use to which they were originally put. There were at least on par with the Confederate currency, each kind "representing nothing on God's earth now."

Major F.H. Rogers of Detroit was considered to be the most persistent and most successful collector of wild-cat currency. In fact, he might be said to have redeemed more notes than a good many of the banks did. Due to his efforts many years ago, the collectors of today are able to find specimens of the notes in a well preserved condition. In the course of his pursuit, Major Rogers ran across some interesting facts. Of the town of Singaporé, near the mouth of the Kalamazoo River, which had a bank in 1837, not a trace remains at the present time. The People's Bank of Grand River, located at Grand Rapids, did not even go through the formality of adopting articles of incorporation, or filing a certificate. A few men simply got together, rented an office, bought a sign, and opened the bank. When the commissioners learned that there was such an institution in existence, they suspended it, and subsequently placed its affairs in the hands of trustees. It had, however, though started so irregularly, been honestly conducted, and all its debts to the public were paid. When Major Rogers was making his collection, he found plenty of notes of some of the banks. A whole room, for instance, was papered with the bills, signed and unsigned, of the Macomb County Bank, while those of the Bank of Shiawassee were exceedingly rare. One of the most valuable according to Rogers, was one for \$1.50 on the Goodrich Bank. This bank redeemed all of its notes that were presented, and destroyed most of them, but this was preserved as a memento of the times. It was purchased from an heir of one of the founders of the bank, at a price which netted a pretty large percentage on its face value.

The utter failure of the free banks discredited and brought down many of the chartered banks. In January, 1839, there remained, transacting business, five chartered banks in Detroit with one branch at St. Joseph, seven chartered county banks, and fourteen associations under the general law. At the end of the year, only four chartered banks and four free banks survived, and of these eight, four failed soon after that. With the collapse of the banking system and the end of the speculative mania, business of all kinds suffered. Of this phase of the crisis, Thomas M. Cooley said in his "History of Michigan", "A very large share of all the currency of the State had become absolutely worthless in the pockets of the people, and was as much lost to the owners as if it had been committed to the flames." Market values of the merchantable property had depreciated in proportion to the reduction of currency, and there was no sale for lands, and little for anything except the bare necessities of life. Distrust in business circles was universal and business was utterly prostrate. Distress had taken the place of the unnatural excitement, extravagance and elation of fictitious wealth. It was a natural sequence to this condition of things that a revolution should take place in the political control of the State, and that the Jackson party, which had held undisputed sway to this time, should be deprived of power. The Whigs, in the fall of 1839, chose a



majority of the Legislature, and elected William Woodbridge Governor. But no political change could stop the vicious consequences of the wild-cat banking, which were attributable to no one party, and which continued by suspension laws through several years. All the important legislation of the State for some time, and especially all that concerned public improvements and the collection of debts, was shaped in view of the depression which followed the financial dissipation. But the measures of relief only aggravated and prolonged the evils of a worthless currency. Then came stay laws, and laws to compel creditors to take lands at a valuation. They were doubtful in point of utility, and more than doubtful in point of morality and constitutionality. The Federal Bankrupt Law of 1841 first brought substantial relief. It brought almost no dividends to creditors, but it relieved debtors from their crushing burdens, and permitted them, sobered and in their right minds, to enter once more the field of industry and activity.

Judge Cooley adds the following general reflection, "Thereafter, wild-cat banking was a by-word in the State. But the lessons it taught needed to be learned at some time, and were not likely to be learned except with experience as teacher. One of its lessons was that neither real estate, nor anything else, not immediately convertible into money can support the credit of bank currency. But for the experience of several States in banking in the years 1837 — 1839, who shall say that the National Currency Act, when it came to be passed, might not have been as little guarded against dangerous schemes as some of its State predecessors?"

Ex-Comptroller John Jay Knox, in his consideration of the various plans for free banking that were proposed prior to the adoption of the National Bank System, quotes the method outlined by Prof. John McVicar in 1827. This was one of the first suggestions of the deposit of stocks with the Government as security for circulating notes. The last clause in Prof. McVicar's plan was as follows, "The deposit of stock thus place in pledge by such individual or association to be capable of indefinite increase at the will of the banker, but not of diminution, in order that the security and confidence of the public may never be shaken, though the whole may at any time be withdrawn by an application to the court for the winding up of the affairs of the bank."

Commenting on this, Mr. Know said, "This plan seems a very near approach to the principle of the Free Banking Law of New York State. The last provision, permitting a bank to withdraw its bonds and wind up its own affairs might, if it had been adopted into law, have defeated all the wisdom of the other propositions, by opening the door to fraud and dishonesty. In fact the essence of the comparative safety of the New York free bank circulation and the entire safety of the National Bank circulation, consisted in the retention of the securities by the Comptroller of the State in one case, and the Comptroller of the Currency in the other, until the redemption of all outstanding circulation was fully provided for. The first State to embody this principle of requiring banks of circulation to deposit securities with the governing power was Michigan. That State, in 1837, adopted a general banking law, by which the banks were required to deposit bonds and mortgages and personal bonds. This was in accordance with the views of Albert Gallatin. The law was in



accordance with the views of Albert Gallatin. The law was decided to be contrary to the Constitution of the State, the courts holding that fundamental law restricted the Legislature to granting single charters. Apart from this, the great defect was that there was no efficient provision for supervising the character of the bonds and mortgages deposited. If no bond and mortgage had been accepted, except upon good improved property, actually worth double the value of the mortgage, there would have been very little loss upon the notes. But Michigan real estate had little intrinsic value at that time, and the mortgages deposited were based upon fancy valuations made for the purpose of creating currency. On the other hand, it may be said a rigid inspection of mortgages would have resulted in few or no banks, as there was in reality but little requirement for general banking capital in the State."

Mr. Knox is not the only writer who gives Michigan the credit of coming close to the enactment of a very good banking law. The record of the wild-cat banks furnishes one of the best illustrations in history, of a fairly good law, doing immense mischief, simply because it was at first poorly administered.

The Supreme Court decision on the law of 1837 came too late to be of much service to the State, for it was not rendered until seven years after the law was enacted, and six years after it was repealed. The suit upon which the decision was rendered was one brought by the Receiver of the Bank of Niles, to collect a note of \$100, given by one Graves, to the bank, in July, 1838. The defendant set up a demurrer on the sole ground that the bank never had any legal existence, the Act under which it was organized being unconstitutional and void. The demurrer was sustained in a very long decision given at the January term of the Supreme Court in 1844. The opinion was written by Justice Whipple, and concurred in, as to its main points, by Chief Justice Ransom and Justice Felch.

The decision turned upon the interpretation of Section 2 of Article XII. of the Constitution which declared: "The Legislature shall pass no Act of Incorporation, unless with the assent of at least two-thirds of each House." the contention was that this section merely prescribed the terms upon which separate Acts of Incorporation could be granted, and did not give authority for the passage of any General Act. After laying down certain general rules, of universal application in the interpretation of constitutions and laws, Justice Whipple said, "I will now proceed to consider the natural import of the words used in that provision of the Constitution, which it is contended has been violated by the Act in question. Under the Territorial Government, and under the State Government until the General Banking Law was passed, the usual mode of creating a corporation was by a special Act, adapted to each particular case. With respect to banks or moneyed corporations, the practice was uniform. The only exceptions to the general rule embraced a class of corporations denominated quasi corporations. It is fair then to infer, that when the framers of the Constitution made use of the words 'Act of Incorporation,' they had reference to the practice which had prevailed from the organization of the Territorial Government down to the period of the adoption of the Constitution. A general law, by which individuals to the number of twelve, could multiply indefinitely moneyed corporations, was unknown in the history of legislation,



either in this State or any other State or Country. It is an invention of modern times. It was the fruit of a distempered state of the public mind. It had its origin at a period, and under circumstances, well calculated to tax the ingenuity of even legislators, to invent means by which moneyed institutions, so-called, might be brought into existence, without going through the dry, tedious and expensive process, of passing an Act in each particular case. The public voice demanded a machine which might operate with more celerity, and be put in motion at any time, without the special intervention of this Legislature, which sat but once a year, and for a short period. The circumstance, then, that the mode devised by the Legislature for establishing banks was unknown, may be properly considered, in giving a construction to the constitutional provision under consideration.

“Again, do not the words, ‘The Legislature shall pass no Act of Incorporation,’ etc., necessarily imply that the Act itself would create the corporation? Such would seem to be the plain meaning of the words. If the language of the Constitution had been ‘The Legislature shall pass no Act for the creation of corporations,’ etc., a different interpretation would have been warranted, and the enactment of the General Banking Law might have been justified. But the words actually employed by the framers of that instrument, would appear to negate the idea that a corporation could be created in any other manner than by a direct Act of the Legislature. In written constitutions we are accustomed to look for, and have a right to expect, clearness and perspicuity of style and language. Each provision is presumed to have been deliberately considered and carefully guarded, so as to leave no room for doubt or uncertainty. The history of the past had offered admonitory lessons of the danger of using language which admit of a two-fold construction, and this subject the fundamental law to be molded in such form as to suit the purposes of those who might invoke the aid of the Legislature, in carrying into effect some favorite scheme, not warranted, either by its letter or spirit, and the position I held in the convention enables me to state that unusual care was taken by that body, to avoid the evils which inevitably flow from inattention in the use of language.”

In closing Justice Whipple said, “It is to be lamented that the grave question we are now called upon to decide, was not presented to this court at an earlier period, and immediately after the passage of the obnoxious Act. Our decision would have stayed the torrent which has swept over the State with effects so desolating, and preserved from individual and State credit from the stigma and reproach which befell both; and I regret that the question has now been forced upon our notice, satisfied, as I am, that the public interest, under existing circumstances, would be best promoted by sustaining the law.”

As the Law of 1837 had been repealed no other banks could have been organized under it, even if this decision had not been given. But if its validity had been sustained, the work of realizing upon what few assets were left by the defunct banks might have been facilitated. The decision certainly had the effect of impressing upon the Convention which framed the Constitution of 1850, the importance of making its banking and corporation clauses clear and explicit.



# THE \$10 FEDERAL RESERVE NOTE AND ALEXANDER HAMILTON

By Benton T. Parther, Jr., P.M.C.M. #C97

Alexander Hamilton, whose portrait appears on the \$10 Federal Reserve Note, played a huge part in the formation of these United States. Hamilton was born in 1757 on a small island in the West Indies. He came to Columbia University in New York at the age of 15 for schooling. He was described as a generous, chivalrous writer and speaker. At the age of 20 he was commissioned an officer on George Washington's staff.

All historians give a different picture of the political and social life of Hamilton — most being somewhat critical. All agree, however, that he had a biding obsession to establish the fiscal integrity of the new nation. He insisted that every promise to pay, whether it be by note, bond, or paper money be strictly guaranteed, both at home and abroad.

Serving as Secretary of the Treasury under Washington, he undertook to make part payment for the bonds (not worth a Continental) that were issued during the war. Unknown to many, England had flooded this country with counterfeit copies of these bonds, and rather than cause hardship, even some of these were partly paid off. Our soldiers had served through the war without pay. He contrived to give them some compensation, as well as aid to the widows, orphans and disabled. He had the National government assume unpaid debts of the various states. This was no simple task, as the National Treasury was about empty, and no system of taxation had been devised. Revenue from tariffs on imports and exports had brought very little.

Patterned after the Bank of England, he supported and successfully started the Bank of the United States. If he had lived longer, it is possible that this institution would have been a financial pillar, and even without him, it accomplished more good than evil. He opened a mint at Philadelphia, using his much copied system of decimal coinage. Without any native supply of silver or other metals, the coins found ready acceptance at full face value. The workmanship on the coins was much better than that on the coins from many of the other countries. He even talked of having a gold reserve, which caused a little merriment in many circles.

There is no mention that Hamilton ever aspired to the Presidency, or any other elective office. Together with Madison and Jay, he published a series of essays known as "The Federalist Papers," which had a great influence in the adoption of the Constitution. Hamilton became and remained the titular head of the Federalist Party. In 1800 he opposed Adams, a fellow party member, and threw his support to Jefferson, a Republican. During 1800, Thomas Jefferson and Aaron Burr tied in the electoral vote, and the contest went to the House of Representatives for decision. Again Hamilton deserted the Party's standard bearer, and supported Jefferson who won the Presidency. Burr was elected Vice President. During the next few years he was active in many campaigns and projects, running roughshod over the opposition. Yet it is reported, he found time to tarry in the boudoirs of wives of some of the prominent political and social set.

The breach between Hamilton and Burr was fanned by enemies of both men. It is generally agreed that the pair were drawn into a situation that demanded they settle their differences on the field of honor, and so a duel was arranged. They met on July 11, 1804. It was not



unusual for such affairs to have both parties discharge thier pistols into the air, shake hands and declare satisfaction. Some witnesses claim, others deny, that Hamilton fired his shots into the air. Burr, of course, did not, and his shot found its mark. Hamilton died the next day in Weehawken, New Jersey.

Burr then retired and was shunned by many. He promoted a fantastic scheme that had the middle west in a commotion for 2 years. He was accused of trying to form some sort of independent state or nation. Burr was indicted for treason, was tried and acquitted. Burr spent the rest of life in obscurity and misery. He died in 1836 at the age of 80.

It seems quite in keeping with the mixed up life of Hamilton, to examine the reverse of the \$ 10 Federal Reserve Note. Many Rag Pickers claim the flag over the Treasury Building is flying upside down. If you haven't already done so, I suggest you look at it closely, and see what you think.

\$

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It certainly is boring typing the same lists over and over again. I know it gets old reading them. Why don't those of you who have a few Nationals or FRBN's on hand that don't fit into your collections offer them for sale in this department. The six-line ad is free to members. Send copy to me by the first of each odd month.  
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## FEDERAL RESERVE NOTE EXCHANGE LIST

Chairman: I.L. Gittleman, P.O. Box 164, Monroe, MI 48161

Members are advised of following changes on current FRN Exchange List. Under District F, note the new address for member Clyde S. Bensey. Under District K, member J.T. "Tommy" Willis, Jr. has asked to have his name removed from the exchange list. Tommy has served the membership since May of 1974, and we wish to thank you, Tommy, for your help over the years to other members.

Your exchange list is open to all members in good standing (dues must be paid) who would care to help their fellow members as well as themselves exchange current FRN's. If you would like to be added to this exchange list, drop me a card requesting application, at the address listed above. DON'T WRITE TO OUR EDITOR. This only delays your request and makes additional work for him. The FRN Exchange List will be printed in every issue of The Rag Picker.

The following PMCM members will exchange current FRN's they have available at face, plus stamped, self-addressed envelope.

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<p>The Rag Picker is in trouble. Those who complain that there is nothing in it should blame themselves, as only a very, very few have sent in articles this last year. Without improved support, The Rag Picker will cease to exist. DOUG MURRAY, P.M.C.M. #1492, P.O. Box 2, Portage, MI 49081.</p>	<p>WANTED: All district's 1977 and 1977A. Will trade 1963 and 1963A notes for same. PAUL G. MEADOWS, P.M.C.M. #1085, P.O. Box 398, Northport, AL 35476.</p>
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